

CLAY COUNTY

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013**

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CLAY COUNTY

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>	
		<u>Before January 2013</u>	<u>After January 1, 2013</u>
Delmar R. Brockshus	Board of Supervisors	January 2013	January 2017
Joe Skow	Board of Supervisors	January 2013	January 2017
Kenneth Chalstrom	Board of Supervisors	January 2015	January 2015
Burlin Matthews	Board of Supervisors	January 2015	January 2015
Linda Swanson	Board of Supervisors	January 2015	January 2015
Marjorie A. Pitts	County Auditor	January 2013	January 2017
Sandra Geidl	County Treasurer	January 2015	January 2015
Shirley Goyette	County Recorder	January 2015	January 2015
Randy Krukow	County Sheriff	January 2013	January 2017
Michael Houchins	County Attorney	January 2015	January 2015
John Lawson	County Assessor	January 2016	January 2016

INDEPENDENT AUDITORS' REPORT

To the Officials of Clay County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Clay County as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 40 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014 on our consideration of Clay County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay County's internal control over financial reporting and compliance.

Winther, Starnes Co., LLP

January 17, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clay County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased \$4,919,388 (24.9%), from fiscal 2012 to fiscal 2013. Property tax increased \$100,842; grants, contributions and restricted interest decreased \$4,349,090; and net other revenues increased \$671,140.
- Program expenses decreased \$1,235,026 (or 9.2%), from fiscal 2012 to fiscal 2013. Expenses in the areas of public safety and legal services, physical health and social services, governmental services to residents, and interest on long-term debt increased a total of \$642,284, while expenses in mental health, county environment and education, roads and transportation, and administration decreased a total of \$1,877,310.

The County's net assets increased \$2,691,721 from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Clay County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Clay County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clay County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Mental Health, Rural Services, Local Option Sales Tax, and Secondary Roads, (c) the Debt Service Fund and (d) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for schools, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Clay County's combined net position for FY2013 totaled \$35,432,334 compared to \$32,740,613 for FY2012. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities

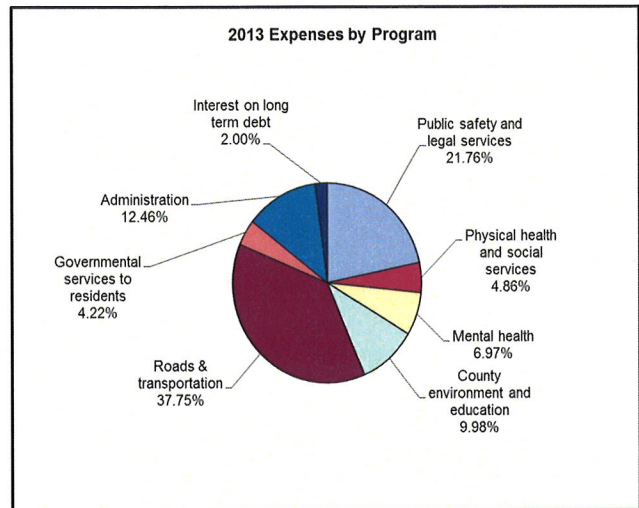
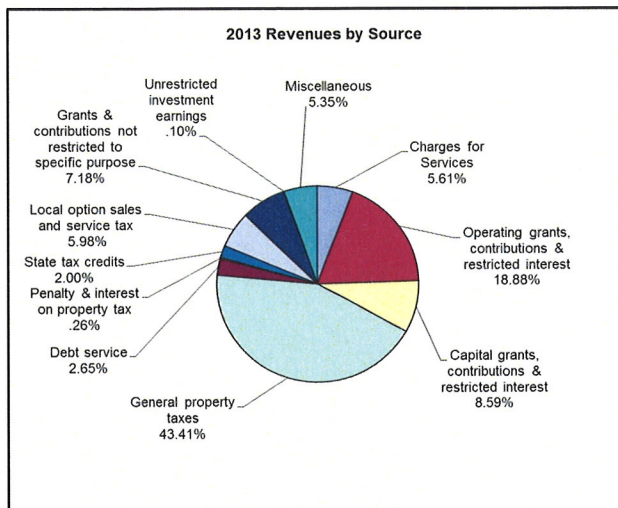
	June 30,	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$17,042,910	\$19,488,934
Capital assets	<u>33,142,602</u>	<u>26,333,615</u>
Total assets	<u>50,185,512</u>	<u>45,822,549</u>
Long-term liabilities	7,301,992	5,887,000
Other liabilities	<u>7,451,186</u>	<u>7,194,936</u>
Total liabilities	<u>14,753,178</u>	<u>13,081,936</u>
Net position:		
Net investment in capital assets	26,062,610	20,643,615
Restricted	5,935,620	8,681,990
Unrestricted	<u>3,434,104</u>	<u>3,415,008</u>
Total net position	<u>\$35,432,334</u>	<u>\$32,740,613</u>

Net position of the County's governmental activities increased 8.2%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment) less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased from \$3,415,008 at June 30, 2012 to \$3,434,104 at the end of this year, an increase of 0.6%.

Changes in Net Position of Clay County Governmental Activities

	Year ended June 30, 2013	2012
Program revenues:		
Charges for service	\$ 832,319	\$ 749,948
Operating grants, contributions, and restricted interest	2,802,533	3,104,514
Capital grants, contributions, and restricted interest	1,274,866	5,321,975
General revenues:		
Property tax:		
General purposes	6,442,636	6,353,642
Debt service	393,759	381,911
Penalty and interest on property tax	38,270	43,876
State tax credits	296,508	737,942
Local option sales tax	887,597	841,802
Grants and contributions not restricted to specific purpose ...	1,065,323	1,331,748
Unrestricted investment earnings	15,579	41,569
Miscellaneous	793,642	853,493
Total revenues	<u>14,843,032</u>	<u>19,762,420</u>
Program expenses:		
Public safety and legal service	2,643,893	2,252,473
Physical health and social services	590,637	502,403
Mental health	847,405	2,088,406
County environment and education	1,212,256	1,248,556
Roads and transportation	4,587,018	4,778,702
Governmental services to residents	512,386	386,081
Administration	1,514,420	1,922,745
Interest on long-term debt	243,296	206,971
Total expenses	<u>12,151,311</u>	<u>13,386,337</u>
Change in net position	2,691,721	6,376,083
Net assets - beginning of year	<u>32,740,613</u>	<u>26,364,530</u>
Net assets - end of year	<u>\$35,432,334</u>	<u>\$32,740,613</u>

(For illustrative purposes)



Clay County's net position of governmental activities increased by \$2,691,721 during the year. Revenues for governmental activities decreased by \$4,919,388 over the prior year primarily due to a decrease in program revenues for Roads and Transportation and general revenues from State tax credits. The revenues for governmental activities did include a property tax revenue increase from the prior year of \$100,842 or 1.5%.

The County property tax rates for fiscal year 2013 remained at \$3.87293 per thousand of valuation in the Rural Services fund, while countywide rates decreased by \$.02 per thousand. The increase in taxable valuation raised the County's property tax revenue approximately \$137,000 in fiscal year 2013. Based on January 1, 2012 assessed valuation, property tax revenue is budgeted to increase by approximately \$94,000, to approximately \$6,930,000, in fiscal year 2014.

The cost of all governmental activities this year was \$12,151,311 compared to \$13,386,337 last year. However, as shown in the Statement of Activities on page 14, the amount taxpayers ultimately financed for these activities was only \$7,241,593 because some of the cost was paid by those directly benefited from the programs (\$832,319) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,077,399). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2013 from \$9,176,437 to \$4,909,718, principally due to road construction funding received through the Iowa Department of Transportation. The County paid for the remaining "public benefit" portion of governmental activities with \$9,933,314 in taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Clay County completed the year, its governmental funds reported a combined fund balance of \$8,287,303, a decrease of \$3,476,084 from last year's total of \$11,763,387. The decrease in fund balance is primarily attributable to capital projects spending and debt service repayments of general obligation bonds. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased compared to the prior year. The ending fund balance showed an increase of \$154,233, ending at \$3,711,308.
- The County has continued to look for ways to effectively manage the cost of mental health services and comply with Senate File 2315. For the year, expenditures totaled \$663,394, a decrease of 68% from the prior year. The Mental Health Fund balance decreased by \$260,539 from the prior year, ending at \$251,021.
- Rural Services Fund revenues and expenditures both increased compared to the prior year. The ending fund balance showed an increase of \$10,708, ending at \$373,782.
- Secondary Roads Fund revenues decreased and expenditures increased from the prior year. Transfers in of \$1,678,310 offset a deficiency of revenues under expenditures of \$1,792,163, resulting in the fund balance decreasing by \$113,853, ending at \$2,662,044.
- Capital Projects Fund revenues included \$1.065 million in general obligation bond proceeds, with over \$4.4 million in capital project expenditures, utilizing over \$2.1 million of prior fund balances, resulting in an ending fund balance of \$293,504.

BUDGETARY HIGHLIGHTS

Over the course of the year, Clay County amended its budget three (3) times. The amendments were made January 15, 2013, April 16, 2013, and June 25, 2013 and consisted of an increase in disbursements of \$4,904,749, primarily for capital projects, and an increase in other financing sources of \$1,056,282 related to general obligation bond proceeds. Recognized increases in receipts were primarily in the areas of intergovernmental and other receipts. The amendments resulted in a budgeted excess of disbursements over receipts and other financing sources of \$5,820,403.

The County's receipts were \$926,284 less than budgeted, a variance of 7%. Total disbursements were \$2,911,973 less than budgeted, a variance of 14%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Clay County had \$33,142,602 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$6,808,987, or 26%, over last year.

Capital Assets of Governmental Activities at Year End

	June 30,	
	<u>2013</u>	<u>2012</u>
Land	\$ 643,917	\$ 599,917
Construction in progress	2,152,857	1,028,307
Buildings and improvements	9,688,294	4,513,690
Equipment and vehicles	2,647,120	2,641,149
Infrastructure	<u>18,010,414</u>	<u>17,550,552</u>
Total	<u>\$33,142,602</u>	<u>\$26,333,615</u>

Major additions for the year included the following: \$5,341,517 for buildings and improvements and \$685,232 related to drainage infrastructure.

The County had depreciation expense of \$983,067 in FY13 and a total accumulated depreciation of \$9,073,076 as of June 30, 2013.

Long-Term Liabilities

At June 30, 2013, Clay County had \$6,420,217 in general obligation bonds/notes and other debt outstanding compared to \$5,690,000 at June 30, 2012, as shown below.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	<u>2013</u>	<u>2012</u>
General obligation notes	\$6,302,217	\$5,690,000
Drainage warrants	<u>777,775</u>	<u> </u>
Total	<u>\$7,079,992</u>	<u>\$5,690,000</u>

Debt increased \$612,217 due to the new issue of \$1,065,000 general obligation bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Clay County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$45 million. Other obligations include compensated absences and net OPEB liability. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Clay County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in Clay County on June 30, 2013 stood at 3.9% versus 5.2% a year ago. This compares with the State's unemployment rate of 4.8%, which was next to the lowest in the nation, except for the States of Hawaii, Nebraska, North Dakota, South Dakota, Utah, Vermont, and Wyoming and compared to the national rate of 7.5% as of June 30, 2013.

Inflation in the State continues to be comparable to the national Consumer Price Index increase of 2.8% in the year ended June 2013, down from 2.9% in the year ended June 2012. Inflation has been modest here due in part to the stability of the residential housing market and energy prices.

These indicators were taken into account when preparing the budget for fiscal year 2014. Amounts available for appropriation in the 2014 operating budget are approximately \$13.3 million which reflects a small increase compared to \$13.1 million from 2013 revenues. Property valuation increases and state funding in several of our current programs are expected to cause the increase in revenues. Budgeted disbursements are expected to decrease to approximately \$14.3 million.

If these estimates are realized, the County's budgetary cash operating balance is expected to decrease from 2013 by approximately \$1 million by the close of 2014. The proposed ending budgeted cash balance of approximately \$5.8 million represents 41% of proposed expenditures.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Clay County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Clay County Auditor's Office, 300 W. 4th St., Spencer, Iowa. The County's financial statements can also be found on our website www.co.clay.ia.us.

Reporting Resources:

Consumer Price Index Summary

<http://www.bls.gov/news.release/cpi.nr0.htm>

<http://iwin.iwd.state.ia.us/iowa/OlmisZine?zineid=00000003>

http://www.bls.gov/data/inflation_calculator.htm

Local Area Unemployment Statistics

<http://www.iowaworkforce.org/lmi/laborforce/etables/area21.txt>

Iowa Workforce Information Network

<http://iwin.iwd.state.ia.us/iowa/Regions?area=000003&occtype=8&page=2>

<http://iwin.iwd.state.ia.us/iowa/OlmisZine?zineid=00000011>

<http://iwin.iwd.state.ia.us/pubs/etables/unemploymentrates.pdf>

Iowa Workforce Cost of Living

<http://iwin.iwd.state.ia.us/iowa/OlmisZine?zineid=00000003>

Iowa County Financial Overview

<http://www.iowacounties.org/Services/Research/FiscalInfo/CFO/CFOPage.htm>

Economy At A Glance

<http://www.bls.gov/eag/>

<http://www.bls.gov/eag/eag.wy.htm>

Clay County, Iowa Map of 12 month change in unemployment rates, June 2013

<http://data.bls.gov/map/servlet/map.servlet.MapToolServlet?state=19&datatype=unemployment&year=2009&period=M06&survey=la&map=county&seasonal=u>

United States unemployment rates, June 2013

<http://ncsl.org/?tabid=13307>

http://data.bls.gov/map/servlet/map.servlet.MapToolServlet?datatype=12_month_net&year=2009&period=M06&survey=la&map=state&seasonal=s

Office of National Statistics

<http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/july-2013/stb---consumer-price-indices---july-2013.html>

CLAY COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental <u>Activities</u>
ASSETS	
Cash and pooled investments	\$ 7,859,545
Receivables:	
Property tax:	
Delinquent	31,388
Succeeding year	6,705,000
Accounts and drainage assessments	950,761
Notes and contracts	525,743
Accrued interest	2,804
Due from other governments	337,318
Inventories	630,351
Prepaid expenses	-
Capital assets - net of accumulated depreciation	<u>33,142,602</u>
 TOTAL ASSETS	 <u>50,185,512</u>
LIABILITIES	
Accounts payable	709,993
Salaries and benefits payable	36,193
Deferred revenue:	
Succeeding year property tax	6,705,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	318,638
Compensated absences	118,000
Portion due or payable after one year:	
General obligation notes	5,983,579
Drainage warrants	777,775
Net OPEB liability	<u>104,000</u>
 TOTAL LIABILITIES	 <u>14,753,178</u>
NET POSITION	
Net investment in capital assets	26,062,610
Restricted for:	
Supplemental levy purposes	580,978
Mental health purposes	251,311
Secondary roads purposes	2,537,644
Debt service	375,145
Capital projects	293,504
Other purposes	1,897,038
Unrestricted	<u>3,434,104</u>
 TOTAL NET POSITION	 <u>\$ 35,432,334</u>

See Notes to Financial Statements

CLAY COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

		Program Revenues			
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Service</u>			
FUNCTIONS/PROGRAMS:					
Government activities:					
Public safety and legal services	\$ 2,643,893	\$ -	\$ -	\$ -	\$ (2,643,893)
Physical health and social services ...	590,637	-	-	-	(590,637)
Mental health	847,405	-	-	-	(847,405)
County environment and education ...	1,212,256	99,964	-	-	(1,112,292)
Roads and transportation	4,587,018	31,593	2,802,533	1,274,866	(478,026)
Governmental services to residents ...	512,386	4,438	-	-	(507,948)
Administration	1,514,420	696,324	-	-	(818,096)
Interest on long-term debt	243,296	-	-	-	(243,296)
 TOTAL	 <u>\$ 12,151,311</u>	 <u>\$ 832,319</u>	 <u>\$ 2,802,533</u>	 <u>\$ 1,274,866</u>	 <u>(7,241,593)</u>
GENERAL REVENUES:					
Property and other county tax levied for:					
General purposes					6,442,636
Debt service					393,759
Penalty and interest on property tax					38,270
State tax credits					296,508
Local option sales tax					887,597
Grants and contributions not restricted to specific purposes					1,065,323
Unrestricted investment earnings					15,579
Miscellaneous					793,642
 TOTAL GENERAL REVENUES					 <u>9,933,314</u>
 CHANGE IN NET POSITION					 2,691,721
 NET POSITION - BEGINNING OF YEAR					 <u>32,740,613</u>
 NET POSITION - END OF YEAR					 <u>\$ 35,432,334</u>

See Notes to Financial Statements

CLAY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

ASSETS

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Cash and pooled investments	\$ 3,546,986	\$ 389,883	\$ 381,476	\$ 2,279,430
Receivables:				
Property tax:				
Delinquent	29,426	367	1,213	-
Succeeding year	4,293,000	377,000	1,650,000	-
Accounts and drainage assessments	160,481	542	-	20,039
Notes and contracts	-	-	-	-
Accrued interest	2,323	-	-	-
Due from other governments	108,527	-	-	16,400
Inventories	-	-	-	630,351
TOTAL ASSETS	\$ 8,140,743	\$ 767,792	\$ 2,032,689	\$ 2,946,220

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	\$ 108,489	\$ 139,481	\$ 8,268	\$ 248,976
Salaries and benefits payable	993	-	-	35,200
Deferred revenue:				
Succeeding year property tax	4,293,000	377,000	1,650,000	-
Other	26,953	290	639	-
TOTAL LIABILITIES	4,429,435	516,771	1,658,907	284,176
FUND BALANCES:				
Nonspendable:				
Inventories	-	-	-	630,351
Restricted for:				
Supplemental levy	580,978	-	-	-
Mental health	-	251,021	-	-
Rural services	-	-	373,782	-
Secondary Roads	-	-	-	2,031,693
Debt service	-	-	-	-
Capital projects	-	-	-	-
Resource enhancement and protection	-	-	-	-
Drainage warrants	-	-	-	-
Economic development	-	-	-	-
Other purposes	-	-	-	-
Assigned to:				
Government services center	103,403	-	-	-
Rural services	1,055,259	-	-	-
Other purposes	70,106	-	-	-
Unassigned	1,901,562	-	-	-
TOTAL FUND BALANCES	3,711,308	251,021	373,782	2,662,044
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,140,743	\$ 767,792	\$ 2,032,689	\$ 2,946,220

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 486,914	\$ 774,856	\$ 7,859,545
-	382	31,388
-	385,000	6,705,000
10,835	758,864	950,761
-	525,743	525,743
-	481	2,804
-	212,391	337,318
-	-	630,351
<u>\$ 497,749</u>	<u>\$ 2,657,717</u>	<u>\$ 17,042,910</u>
\$ 204,245	\$ 534	\$ 709,993
-	\$ -	36,193
-	385,000	6,705,000
-	1,276,539	1,304,421
<u>204,245</u>	<u>1,662,073</u>	<u>8,755,607</u>
-	-	630,351
-	-	580,978
-	-	251,021
-	-	373,782
-	-	2,031,693
-	375,145	375,145
293,504	-	293,504
-	82,716	82,716
-	430,197	430,197
-	6,746	6,746
-	100,840	100,840
-	-	103,403
-	-	1,055,259
-	-	70,106
-	-	1,901,562
<u>293,504</u>	<u>995,644</u>	<u>8,287,303</u>
<u>\$ 497,749</u>	<u>\$ 2,657,717</u>	<u>\$ 17,042,910</u>

CLAY COUNTY
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total governmental fund balances (page 16) \$ 8,287,303

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$42,215,678 and the accumulated depreciation is \$9,073,076. 33,142,602

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 1,304,421

Long-term liabilities, including notes payable, compensated absences payable, and OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds. (7,301,992)

NET POSITION OF GOVERNMENTAL ACTIVITIES (page 13) \$35,432,334

CLAY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
REVENUES:				
Property and other County tax	\$ 4,399,011	\$ 386,167	\$ 1,705,583	\$ -
Local option sales tax	798,837	-	-	-
Interest and penalty on property tax	38,270	-	-	-
Intergovernmental	392,321	16,688	152,766	3,361,975
Licenses and permits	14,442	-	1,650	7,025
Charges for service	516,982	-	-	39
Use of money and property	164,358	-	-	31,554
Fines, forfeitures and defaults	99,863	-	-	-
Miscellaneous	241,016	-	405	187,095
TOTAL REVENUES	<u>6,665,100</u>	<u>402,855</u>	<u>1,860,404</u>	<u>3,587,688</u>
EXPENDITURES:				
Operating:				
Public safety and legal services	2,080,849	-	568,263	-
Physical health and social services	590,637	-	-	-
Mental health	184,011	663,394	-	-
County environment and education	777,536	-	269,513	-
Roads and transportation	-	-	-	4,418,874
Governmental services to residents	513,340	-	-	-
Administration	1,607,103	-	-	-
Nonprogram	-	-	-	-
Debt service	44,250	-	-	-
Capital projects	-	-	-	960,977
TOTAL EXPENDITURES	<u>5,797,726</u>	<u>663,394</u>	<u>837,776</u>	<u>5,379,851</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>867,374</u>	<u>(260,539)</u>	<u>1,022,628</u>	<u>(1,792,163)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(713,141)	-	(1,011,920)	1,678,310
General obligation bonds issued	-	-	-	-
Drainage warrants issued	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(713,141)</u>	<u>-</u>	<u>(1,011,920)</u>	<u>1,678,310</u>
CHANGE IN FUND BALANCES	154,233	(260,539)	10,708	(113,853)
FUND BALANCES - BEGINNING OF YEAR	<u>3,557,075</u>	<u>511,560</u>	<u>363,074</u>	<u>2,775,897</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,711,308</u>	<u>\$ 251,021</u>	<u>\$ 373,782</u>	<u>\$ 2,662,044</u>

See Notes to Financial Statements

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 393,759	\$ 6,884,520
-	88,760	887,597
-	-	38,270
-	240,614	4,164,364
-	-	23,117
60,673	4,438	582,132
39,291	81,700	316,903
-	-	99,863
936	276,171	705,623
<u>100,900</u>	<u>1,085,442</u>	<u>13,702,389</u>

-	6,033	2,655,145
-	-	590,637
-	-	847,405
-	344,863	1,391,912
-	-	4,418,874
-	6,759	520,099
83,215	1,724	1,692,042
-	685,663	685,663
-	724,733	768,983
4,489,511	-	5,450,488
<u>4,572,726</u>	<u>1,769,775</u>	<u>19,021,248</u>

<u>(4,471,826)</u>	<u>(684,333)</u>	<u>(5,318,859)</u>
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56,218	(9,467)	-
1,065,000	-	1,065,000
-	777,775	777,775

<u>1,121,218</u>	<u>768,308</u>	<u>1,842,775</u>
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(3,350,608)	83,975	(3,476,084)
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<u>3,644,112</u>	<u>911,669</u>	<u>11,763,387</u>
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<u>\$ 293,504</u>	<u>\$ 995,644</u>	<u>\$ 8,287,303</u>
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See Notes to Financial Statements

CLAY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds (page 19) \$ (3,476,084)

*Amounts reported for governmental activities in the Statement of Activities
are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$7,202,851	
Capital assets contributed by the Iowa Department of Transportation	1,274,866	
Depreciation expense	<u>(983,067)</u>	7,494,650

Because some revenues will not be collected for several months after the County's year-end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(48,125)	
Notes and contracts	<u>136,272</u>	88,147

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(1,842,775)	
Repaid	<u>452,783</u>	(1,389,992)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences (increase)	(11,000)	
Other postemployment benefits	<u>(14,000)</u>	<u>(25,000)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 14) \$ 2,691,721

CLAY COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2013

ASSETS

Cash and pooled investments:	
County Treasurer	\$ 959,721
Other County offices	137,015
Property tax receivable:	
Delinquent	20,734
Succeeding year	21,088,000
Accounts receivable.....	4,855
Due from other governments	56,464
Accrued interest	<u>6</u>
 TOTAL ASSETS	 <u>22,266,795</u>

LIABILITIES

Accounts payable	31,272
Due to other governments	22,121,464
Trusts payable	<u>114,059</u>
 TOTAL LIABILITIES	 <u>22,266,795</u>
 NET POSITION	 <u><u>\$ -</u></u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clay County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Clay County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Clay County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units

The following component units are entities which are legally separate from the County but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Ninety-eight drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Clay County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Clay County Auditor's office.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Jointly Governed Organizations

The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoints representatives to the following boards and commissions: Clay County Assessor's Conference Board, Clay County Emergency Management Commission, Clay County Conservation Board, and Clay County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Continued

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and Special Revenue, Rural Services Fund, and other revenues to be used for secondary road construction and maintenance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications, committed, assigned, and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments

The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Non-negotiable certificates of deposits are stated at cost.

Property Tax Receivable

Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Fund Equity - Continued

Property Tax Receivable - Continued

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2011 assessed property valuations, is for the tax accrual period July 1, 2012 through June 30, 2013, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

Drainage Assessments Receivable

Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than three nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes.

Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Notes and Contracts Receivable - Long-term receivables of governmental funds are reported on their respective balance sheets. To the extent these receivables are considered "available spendable resources," they are recognized in the current period. Recognition of governmental fund revenue represented by noncurrent receivables is deferred until they become current receivables.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Fund Equity - Continued

Capital Assets

Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2002 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	10 - 65
Equipment	2 - 20
Vehicles	3 - 10

Due to Other Governments

Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable

Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Fund Equity - Continued

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and the Special Revenue, Secondary Roads Funds.

County employees accumulate a limited amount of earned but unused sick leave. The employee does not receive any pay for unused sick leave upon termination of employment with the County. Since the amount of sick leave to be used is undeterminable, no liability has been accrued.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Material bond issue costs are reported as deferred charges and amortized over the term of the related debt. In the government fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board of Supervisors intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management's Review

The County has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2013 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The County has invested \$647,048 in unrated drainage warrants.

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:			
Secondary Roads	\$1,678,310	General	\$ 666,390
		Special Revenue:	
		Rural Services	<u>1,011,920</u>
Total Transfers to			
Secondary Roads			<u>1,678,310</u>
		General	46,751
		Non-major:	
		Debt service	<u>9,467</u>
Capital Projects	<u>56,218</u>		<u>56,218</u>
Total Transfers	<u>\$1,734,528</u>		<u>\$1,734,528</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

4. NOTES AND CONTRACTS RECEIVABLE

Clay County has established a Revolving Loan Fund through cumulative transfers of \$600,000 from local option sales tax revenues. Through June 30, 2013, the County made \$831,629 in advances to sixteen local businesses, with a promissory note and applicable contractual loan agreements and documentation completed for each advance. With payments including interest at 4.75%, the promissory notes were originally payable in 60 to 180 monthly installments, with one loan paid in full during 2013 and remaining loans set to mature in May 2014 through August 2026. The County is attempting to collect the remaining \$100,384 balance on two loans with original advances totaling \$150,000. Since collection of the remaining balances is uncertain, the balances are no longer included in the total notes receivable balance. Therefore, after adjusting for these loans, the outstanding balances on the fourteen remaining loans totaled \$525,743 at June 30, 2013.

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 599,917	\$ 44,000		\$ 643,917
Construction in progress	<u>1,028,307</u>	<u>2,152,857</u>	<u>\$1,028,307</u>	<u>2,152,857</u>
Total capital assets not being depreciated	<u>1,628,224</u>	<u>2,196,857</u>	<u>1,028,307</u>	<u>2,796,774</u>
Capital assets being depreciated:				
Buildings and improvements	6,513,242	5,341,517		11,854,759
Equipment and vehicles	7,475,200	443,879		7,919,079
Infrastructure, road network	18,806,958	152,876		18,959,834
Infrastructure, drainage network	<u>32,795,400</u>	<u>685,232</u>		<u>685,232</u>
Total capital assets being depreciated	<u>32,795,400</u>	<u>6,623,504</u>		<u>39,418,904</u>
Less accumulated depreciation for:				
Buildings and improvements	1,999,552	166,913		2,166,465
Equipment and vehicles	4,834,051	437,908		5,271,959
Infrastructure, road network	1,256,406	377,104		1,633,510
Infrastructure, drainage network	<u>8,090,009</u>	<u>1,142</u>		<u>1,142</u>
Total accumulated depreciation	<u>8,090,009</u>	<u>983,067</u>		<u>9,073,076</u>
Total capital assets being depreciated - net	<u>24,705,391</u>	<u>5,640,437</u>		<u>30,345,828</u>
Governmental activities capital assets - net	<u>\$26,333,615</u>	<u>\$7,837,294</u>	<u>\$1,028,307</u>	<u>\$33,142,602</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

5. CAPITAL ASSETS - Continued

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 57,484
County environment and education	31,050
Roads and transportation	668,728
Governmental services to residents	1,846
Administration	<u>223,959</u>

Total depreciation expense - governmental activities	<u>\$ 983,067</u>
--	-------------------

6. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agency for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Agency:		
Townships	Collections	\$ 260,352
Corporations	Collections	6,146,673
Schools	Collections	13,316,501
Area schools	Collections	989,726
County assessor	Collections	439,288
Agricultural extension education	Collections	212,492
Auto license and use tax	Collections	425,411
All others	Collections	<u>331,021</u>
TOTAL FOR AGENCY FUNDS		<u>\$22,121,464</u>

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	<u>General Obligation Bonds/Notes</u>	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$5,690,000	\$ -	\$107,000	\$ 90,000	\$5,887,000
Increases	1,065,000	777,775	11,000	14,000	1,867,775
Decreases	<u>(452,783)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(452,783)</u>
Balance end of year	<u>\$6,302,217</u>	<u>\$777,775</u>	<u>\$118,000</u>	<u>\$104,000</u>	<u>\$7,301,992</u>
Due within one year	<u>\$ 318,638</u>	<u>-</u>	<u>\$118,000</u>	<u>-</u>	<u>\$ 436,638</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

7. LONG-TERM LIABILITIES - Continued

Bonds/Notes Payable

A summary of the County's June 30, 2013 general obligation bonds/notes payable is as follows:

<u>Year Ending June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	1.74% - 3.60%	\$ 318,638	\$ 182,550	\$ 501,188
2015	1.74% - 3.70%	323,620	179,078	502,698
2016	1.74% - 3.75%	324,292	175,556	499,848
2017	1.74% - 2.95%	319,975	172,022	491,997
2018	1.74% - 3.81%	320,671	164,187	484,858
2019 - 2023	1.74% - 2.95%	1,685,021	696,385	2,381,406
2024 - 2028	1.74% - 4.27%	1,780,000	439,745	2,219,745
2029 - 2031	3.85% - 4.39%	<u>1,230,000</u>	<u>99,645</u>	<u>1,329,645</u>
Total		<u>\$6,302,217</u>	<u>\$2,109,168</u>	<u>\$8,411,385</u>

During the year ended June 30, 2013, the County issued \$1,065,000 in new general obligation bonds and retired \$452,783 of notes.

Drainage Warrants Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available and have been deducted from cash balances. Drainage warrants are paid from the Special Revenue, Drainage District Fund solely from special assessments against benefited properties.

Clay County Regional Events Center Conduit Debt Obligations

During the year ended June 30, 2005, the County issued a total of \$2,000,000 in Local Option Sales and Services Tax (LOSST) Revenue Bonds for the purpose of constructing and furnishing the Clay County Regional Events Center at the Clay County Fairgrounds. Of the total advanced, \$1,415,000 was used to pay off a similar bond which had been issued in fiscal 2004. The bonds are not a general obligation of the County but are payable from and secured solely and only by a pledge of certain local option tax revenues received by Clay County and the City of Spencer. The bonds will be repaid in annual installments ranging from \$65,000 to \$120,000, including interest at rates ranging from 3.17% to 4.39%, through June 1, 2029. Bonds totaling \$1,465,000 remained outstanding at June 30, 2013.

The bonds issued do not constitute general obligation debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment; and therefore, they have been excluded entirely from the County's debt presentation. However, the County is responsible to receive the applicable local option tax revenues and to apply funds on hand to the required bond payments, as shown in the LOSST Bond special revenue fund. There has not been and is not any condition of default under the bonds or the related financing documents.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

7. LONG-TERM LIABILITIES - Continued

St. Luke Homes and Services, Inc. Conduit Debt Obligation

During September 2004, the County issued \$3,000,000 Health Care Facility Revenue Bonds, Series 2004 (St. Luke Homes and Services, Inc. Project) for the purpose of lending the proceeds to St. Luke Homes and Services, Inc. for facility improvement projects. The bonds are not a general obligation of the County but are payable solely from the revenues and other amounts derived from the facility.

The bonds issued do not constitute general obligation debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment; and therefore, they have been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

Northwest Aging Association Foundation, Inc. Conduit Debt Obligation

During April 2007, the County issued a \$300,000 Community Provider Revenue Note, Series 2007 (Northwest Aging Association Foundation, Inc. Project) for the purpose of lending the proceeds to Northwest Aging Association Foundation, Inc. for a facility improvement project. The bonds were fully retired at June 30, 2013.

8. LEASES

The County has entered into leases of office space to other governmental entities through June 30, 2017 totaling \$89,184 annually. The County has also entered into annual leases of farm ground to various individuals, with lease expirations ranging from February 2014 to February 2015 and total annual revenue of \$33,831. The County leases storage, through August 2015, and office space, through June 2016, for \$1,500 and \$1,375 monthly, respectively, for a total annual cost of \$34,500.

9. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$384,315, \$332,290, and \$293,817, respectively, equal to the required contributions for each year.

The County also sponsors a Section 457 deferred compensation plan for the benefit of County employees. Employees may voluntarily participate in the plan. Contributions are made solely through employee salary deferrals with no County contributions to the plan.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The County sponsors a single-employer health care plan which provides medical/prescription drug benefits for all active and retired employees and their eligible dependents. There are 90 active and 10 retired members in the plan. Eligible retirees receive health care coverage through the same plans that are available for active employees. Participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by monthly contributions.

The medical/prescription drug coverage is provided through a partially self-funded plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the approximate components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 36,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	36,000
Contributions made	(22,000)
Increase in net OPEB obligation	14,000
Net OPEB obligation - beginning of year	90,000
Net OPEB obligation - end of year	<u>\$104,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, plan members eligible for benefits contributed approximately 22,000 or 100% of the premium costs.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

The County's approximate annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$52,000	42.3%	\$30,000
June 30, 2011	52,000	42.3%	60,000
June 30, 2012	52,000	42.3%	90,000
June 30, 2013	36,000	61.1%	104,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was approximately \$336,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$336,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,343,000 and the ratio of the UAAL to covered payroll was 7.74%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate ranges from 5 - 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Scale T-4 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are approximately \$664 per month per participant. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expenses on an open basis over 30 years.

11. RISK MANAGEMENT

The County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's members contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2013 were \$143,048.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

11. RISK MANAGEMENT - Continued

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries insurance from the Iowa Municipalities Workers' Compensation Association for coverage associated with workers' compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

11. RISK MANAGEMENT - Continued

Health Care Plan

The County has established a Health Care Plan to provide partial self funding of the County's health insurance benefit plan. The plan is funded by County and employee contributions and is administered through a service agreement with Employee Benefit Systems (EBS). The agreement with EBS is renewable on an annual basis. The County assumes liability for certain claims up to the individual deduction limitations for single and family coverage depending on which of four optional plans is selected by each respective employee.

Contributions to the Health Care Plan are recorded as expenditures from the operating funds. The County's contribution to the self-funded portion of the Health Care Plan for the year ended June 30, 2013 was \$200,069.

No amounts payable to the Health Care Plan have been recorded at June 30, 2013 for incurred but not reported (IBNR) and reported but not paid claims since the amounts are not considered material to the financial statements. Incurred claims (including claims incurred but not reported at June 30, 2013) were considered to approximately equal the payments on claims during the fiscal year of approximately \$147,800.

12. COMMITMENTS

The County has entered into construction contracts totaling approximately \$4,920,000 for roadway paving and bridge replacement. As of June 30, 2013, costs of approximately \$1,230,000 on the projects have been incurred. The balance of approximately \$3,690,000 remaining on the contracts at June 30, 2013 will be paid as work on the projects progresses with the contracts expected to be paid from the State of Iowa Farm to Market Fund.

The County also entered into contracts totaling approximately \$5,700,000 for a new County Jail. As of June 30, 2013, costs of approximately \$5,400,000 on the project have been placed in service. The balance of approximately \$300,000 remaining on certain contracts at June 30, 2013 will be paid as work on the project progresses.

The County has contracted with the City of Spencer for sanitary landfill services. The current contract expires June 30, 2017, with a cost to the County for fiscal 2013 of \$78,444.

Annual costs under the sanitary landfill services contract are as follows:

2014	\$ 81,192
2015	84,036
2016	86,976
2017	<u>90,024</u>
	<u>\$342,228</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

12. COMMITMENTS - Continued

The County has also contracted with Spencer Hospital for management of public health services. Established costs call for total annual payments of up to \$140,000, \$180,000, and \$220,000 for the fiscal years ending June 30, 2014, 2015, and 2016, respectively.

The County resolved to fund a maximum of \$100,000 through September 1, 2014 from local option sales tax revenues to participate in the Spencer Housing Initiative Program. As of June 30, 2013, \$50,000 has been paid to fund this program.

13. LITIGATION

The County is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. County officials believe the outcome of these matters will not have a material adverse effect on the County's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CLAY COUNTY
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

	<u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>	<u>Net</u>
RECEIPTS:			
Property and other County tax	\$ 7,766,551	\$ -	\$ 7,766,551
Interest and penalty on property tax	38,270	-	38,270
Intergovernmental	3,970,870	2,898	3,967,972
Licenses and permits	22,983	-	22,983
Charges for service	544,664	-	544,664
Use of money and property	314,771	479	314,292
Other.....	931,371	263,459	667,912
TOTAL REVENUES	<u>13,589,480</u>	<u>266,836</u>	<u>13,322,644</u>
DISBURSEMENTS:			
Public safety and legal services	2,803,170	-	2,803,170
Physical health and social services	582,741	-	582,741
Mental health	885,111	-	885,111
County environment and education	2,174,545	716,995	1,457,550
Roads and transportation	4,323,981	-	4,323,981
Governmental services to residents	520,080	-	520,080
Administration	1,599,976	-	1,599,976
Non-program	-	-	-
Debt service	768,971	127,090	641,881
Capital projects	5,399,150	-	5,399,150
TOTAL DISBURSEMENTS	<u>19,057,725</u>	<u>844,085</u>	<u>18,213,640</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,468,245)	(577,249)	(4,890,996)
OTHER FINANCING SOURCES - NET.....	<u>1,842,775</u>	<u>777,775</u>	<u>1,065,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(3,625,470)	200,526	(3,825,996)
BALANCE - BEGINNING OF YEAR	<u>11,485,015</u>	<u>170,019</u>	<u>11,314,996</u>
BALANCE - END OF YEAR	<u>\$ 7,859,545</u>	<u>\$ 370,545</u>	<u>\$ 7,489,000</u>

Budgeted Amounts		Final to
Original	Final	Net Variance
\$ 7,862,321	\$ 7,889,785	\$ (123,234)
31,000	31,000	7,270
4,031,216	4,828,794	(860,822)
20,607	20,607	2,376
479,700	509,633	35,031
286,139	325,130	(10,838)
299,392	643,979	23,933
<u>13,010,375</u>	<u>14,248,928</u>	<u>(926,284)</u>
2,881,518	2,915,918	112,748
565,503	661,503	78,762
2,029,836	2,253,836	1,368,725
1,406,789	1,556,789	99,239
4,537,091	4,798,527	474,546
407,973	522,987	2,907
1,636,102	1,856,030	256,054
-	20,000	20,000
269,298	661,336	19,455
2,486,754	5,878,687	479,537
<u>16,220,864</u>	<u>21,125,613</u>	<u>2,911,973</u>
(3,210,489)	(6,876,685)	1,985,689
<u>-</u>	<u>1,056,282</u>	<u>8,718</u>
(3,210,489)	(5,820,403)	<u>\$ 1,994,407</u>
<u>8,730,194</u>	<u>8,730,194</u>	
<u>\$ 5,519,705</u>	<u>\$ 2,909,791</u>	

See Accompanying Independent Auditors' Report

CLAY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrued Basis
Revenues and other financing sources.....	\$ 13,589,480	\$ 112,909	\$ 13,702,389
Expenditures	19,057,725	36,477	19,021,248
Net	(5,468,245)	149,386	(5,318,859)
Other financing sources, net	1,842,775		1,842,775
Beginning fund balances	11,485,015	278,372	11,763,387
ENDING FUND BALANCES	<u>\$ 7,859,545</u>	<u>\$ 427,758</u>	<u>\$ 8,287,303</u>

CLAY COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, four budget amendments increased budgeted disbursements by \$5,584,182. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

CLAY COUNTY
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	July 1, 2009	-	\$ 417	\$ 417	0.00%	\$3,436	12.14%
2011	July 1, 2009	-	417	417	0.00	3,932	10.60
2012	July 1, 2009	-	417	417	0.00	3,952	10.55
2013	July 1, 2012	-	336	336	0.00	4,343	7.74

See Note 10 in the accompanying Notes to Financial Statements for plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

SUPPLEMENTARY INFORMATION

CLAY COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

ASSETS

	<u>Debt Service</u>	<u>County Sheriff</u>	<u>LOSST Bond</u>
Cash and pooled investments	\$ 222,152	\$ 35,496	\$ 152,746
Receivables:			
Property tax:			
Delinquent	382	-	-
Succeeding year	385,000	-	-
Accounts	-	-	-
Notes and contracts	-	-	-
Accrued interest	155	1	12
Drainage assessments	-	-	-
Due from other governments	-	-	-
TOTAL ASSETS	<u><u>\$ 607,689</u></u>	<u><u>\$ 35,497</u></u>	<u><u>\$ 152,758</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	\$ -	\$ 32	\$ -
Deferred revenue:			
Succeeding year property tax	385,000	-	-
Other	302	-	-
TOTAL LIABILITIES	<u><u>385,302</u></u>	<u><u>32</u></u>	<u><u>-</u></u>
FUND BALANCES:			
Restricted for:			
Debt service	222,387	-	152,758
Resource enhancement and protection ...	-	-	-
Drainage warrants	-	-	-
Economic development	-	-	-
Other purposes	-	35,465	-
TOTAL FUND BALANCES	<u><u>222,387</u></u>	<u><u>35,465</u></u>	<u><u>152,758</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 607,689</u></u>	<u><u>\$ 35,497</u></u>	<u><u>\$ 152,758</u></u>

See Accompanying Independent Auditor's Report

<u>Special Revenue</u>					
<u>Resource Enhancement and Protection</u>	<u>County Recorder's Records Management</u>	<u>Drainage Districts</u>	<u>Revolving Loan</u>	<u>LOSST Fair</u>	<u>Total</u>
\$ 83,212	\$ 14,437	\$ 217,799	\$ 49,014	\$ -	\$ 774,856
-	-	-	-	-	382
-	-	-	-	-	385,000
-	1,083	-	-	6,746	7,829
-	-	-	525,743	-	525,743
6	1	7	299	-	481
-	-	751,035	-	-	751,035
-	-	212,391	-	-	212,391
<u>\$ 83,218</u>	<u>\$ 15,521</u>	<u>\$ 1,181,232</u>	<u>\$ 575,056</u>	<u>\$ 6,746</u>	<u>\$ 2,657,717</u>
\$ 502	\$ -	\$ -	\$ -	\$ -	\$ 534
-	-	-	-	-	385,000
-	-	751,035	525,202	-	1,276,539
<u>502</u>	<u>-</u>	<u>751,035</u>	<u>525,202</u>	<u>-</u>	<u>1,662,073</u>
-	-	-	-	-	375,145
82,716	-	-	-	-	82,716
-	-	430,197	-	-	430,197
-	-	-	-	6,746	6,746
-	15,521	-	49,854	-	100,840
<u>82,716</u>	<u>15,521</u>	<u>430,197</u>	<u>49,854</u>	<u>6,746</u>	<u>995,644</u>
<u>\$ 83,218</u>	<u>\$ 15,521</u>	<u>\$ 1,181,232</u>	<u>\$ 575,056</u>	<u>\$ 6,746</u>	<u>\$ 2,657,717</u>

See Accompanying Independent Auditor's Report

CLAY COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Debt Service</u>	<u>County Sheriff</u>	<u>LOSST Bond</u>
REVENUES:			
Property and other County tax	\$ 393,759	\$ -	\$ -
Local option sales tax	-	-	-
Intergovernmental	17,215	-	-
Charges for service	-	-	-
Use of money and property	7,853	19	230
Miscellaneous	-	9,565	193,778
TOTAL REVENUES	<u>418,827</u>	<u>9,584</u>	<u>194,008</u>
EXPENDITURES:			
Operating:			
Public safety and legal services	-	6,033	-
County environment and education	-	-	30,577
Governmental services to residents	-	-	-
Administration	-	1,724	-
Nonprogram	-	-	-
Debt service	597,631	-	127,102
TOTAL EXPENDITURES	<u>597,631</u>	<u>7,757</u>	<u>157,679</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(178,804)</u>	<u>1,827</u>	<u>36,329</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in (out)	(9,467)	-	-
Drainage warrants issued	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,467)</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCES	(188,271)	1,827	36,329
FUND BALANCES - BEGINNING OF YEAR	<u>410,658</u>	<u>33,638</u>	<u>116,429</u>
FUND BALANCES - END OF YEAR	<u>\$ 222,387</u>	<u>\$ 35,465</u>	<u>\$ 152,758</u>

See Accompanying Independent Auditors' Report

Special Revenue					
Resource Enhancement and Protection	County Recorder's Records Management	Drainage Districts	Revolving Loan	LOSST Fair	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 393,759
-	-	-	-	88,760	88,760
11,010	-	212,389	-	-	240,614
-	4,438	-	-	-	4,438
83	10	-	73,505	-	81,700
-	-	72,828	-	-	276,171
<u>11,093</u>	<u>4,448</u>	<u>285,217</u>	<u>73,505</u>	<u>88,760</u>	<u>1,085,442</u>
-	-	-	-	-	6,033
2,490	-	-	223,409	88,387	344,863
-	6,759	-	-	-	6,759
-	-	-	-	-	1,724
-	-	685,663	-	-	685,663
-	-	-	-	-	724,733
<u>2,490</u>	<u>6,759</u>	<u>685,663</u>	<u>223,409</u>	<u>88,387</u>	<u>1,769,775</u>
<u>8,603</u>	<u>(2,311)</u>	<u>(400,446)</u>	<u>(149,904)</u>	<u>373</u>	<u>(684,333)</u>
-	-	-	-	-	(9,467)
-	-	777,775	-	-	777,775
-	-	<u>777,775</u>	-	-	<u>768,308</u>
8,603	(2,311)	377,329	(149,904)	373	83,975
<u>74,113</u>	<u>17,832</u>	<u>52,868</u>	<u>199,758</u>	<u>6,373</u>	<u>911,669</u>
<u>\$ 82,716</u>	<u>\$ 15,521</u>	<u>\$ 430,197</u>	<u>\$ 49,854</u>	<u>\$ 6,746</u>	<u>\$ 995,644</u>

See Accompanying Independent Auditors' Report

CLAY COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2013

ASSETS	County Offices			Emergency Medical Services
	County Recorder	County Sheriff	County Conservation	
CASH AND POOLED INVESTMENTS:				
County Treasurer	\$ -	\$ -	\$ -	\$ 8,856
Other County officials	58,886	67,795	10,334	-
	-			
RECEIVABLES:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts.....	-	-	-	4,855
Due from other governments	326	-	-	1,253
Accrued interest	-	-	-	-
TOTAL ASSETS	\$ 59,212	\$ 67,795	\$ 10,334	\$ 14,964
LIABILITIES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 159
Due to other governments	23,282	-	-	14,805
Trusts payable	35,930	67,795	10,334	-
TOTAL LIABILITIES	\$ 59,212	\$ 67,795	\$ 10,334	\$ 14,964

Iowa Great Lakes Drug Task Force	E-911	Joint Disaster Services	Special Appraiser	Property Tax Agency	Townships
\$ 689	\$ 75,178	\$ 77,257	\$ -	\$ 22,181	\$ 3,128
-	-	-	-	-	-
-	-	-	-	3	224
-	-	-	-	80,000	257,000
-	-	-	-	-	-
-	37,275	17,610	-	-	-
-	6	-	-	-	-
<u>\$ 689</u>	<u>\$ 112,459</u>	<u>\$ 94,867</u>	<u>\$ -</u>	<u>\$ 102,184</u>	<u>\$ 260,352</u>
\$ -	\$ 3,124	\$ 916	\$ -	\$ 22,184	\$ -
689	109,335	93,951	-	80,000	260,352
-	-	-	-	-	-
<u>\$ 689</u>	<u>\$ 112,459</u>	<u>\$ 94,867</u>	<u>\$ -</u>	<u>\$ 102,184</u>	<u>\$ 260,352</u>

CLAY COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - Continued
AGENCY FUNDS
JUNE 30, 2013

ASSETS	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Lost Island Sanitary Sewer District</u>
CASH AND POOLED INVESTMENTS:				
County Treasurer	\$ 50,021	\$ 144,048	\$ 7,808	\$ 3
Other County officials	-	-	-	-
RECEIVABLES:				
Property tax:				
Delinquent	6,652	12,453	918	-
Succeeding year	6,090,000	13,160,000	981,000	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Accrued interest	-	-	-	-
 TOTAL ASSETS	 <u>\$ 6,146,673</u>	 <u>\$ 13,316,501</u>	 <u>\$ 989,726</u>	 <u>\$ 3</u>
LIABILITIES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	6,146,673	13,316,501	989,726	3
Trusts payable	-	-	-	-
 TOTAL LIABILITIES	 <u>\$ 6,146,673</u>	 <u>\$ 13,316,501</u>	 <u>\$ 989,726</u>	 <u>\$ 3</u>

<u>County Assessor</u>	<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Total</u>
\$ 133,889	\$ 2,296	\$ 425,411	\$ 8,956	\$ 959,721
-	-	-	-	137,015
288	196	-	-	20,734
310,000	210,000	-	-	21,088,000
-	-	-	-	4,855
-	-	-	-	56,464
-	-	-	-	6
<u>\$ 444,177</u>	<u>\$ 212,492</u>	<u>\$ 425,411</u>	<u>\$ 8,956</u>	<u>\$ 22,266,795</u>
\$ 4,889	\$ -	\$ -	\$ -	\$ 31,272
439,288	212,492	425,411	8,956	22,121,464
-	-	-	-	114,059
<u>\$ 444,177</u>	<u>\$ 212,492</u>	<u>\$ 425,411</u>	<u>\$ 8,956</u>	<u>\$ 22,266,795</u>

CLAY COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2013

	County Offices				Employee Cafeteria Plan
	County Auditor	County Recorder	County Sheriff	County Conservation	
BALANCE - BEGINNING OF YEAR	\$ -	\$ 42,785	\$ 12,143	\$ 13,467	\$ -
ADDITIONS:					
Property and other County tax	-	-	-	-	-
911 surcharge	-	-	-	-	-
State tax credits	-	-	-	-	-
Office fees and collections	3,210	463,262	148,042	66,594	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	186,499	-	-
Miscellaneous	-	-	-	-	81,675
TOTAL ADDITIONS	3,210	463,262	334,541	66,594	81,675
DEDUCTIONS:					
Agency remittances:					
To other funds	3,210	-	148,042	69,727	-
To other governments	-	158,234	-	-	-
Trusts paid out	-	288,601	130,847	-	81,675
TOTAL DEDUCTIONS	3,210	446,835	278,889	69,727	81,675
BALANCE - END OF YEAR	\$ -	\$ 59,212	\$ 67,795	\$ 10,334	\$ -

Schedule 4

<u>Emergency Medical Services</u>	<u>Iowa Great Lakes Drug Task Force</u>	<u>E-911</u>	<u>Joint Disaster Services</u>	<u>Special Appraiser</u>	<u>Property Tax Agency</u>
<u>\$ 19,605</u>	<u>\$ 689</u>	<u>\$ 96,875</u>	<u>\$ 62,441</u>	<u>\$ 32,788</u>	<u>\$ 106,904</u>
-	-	-	-	-	105,539
-	-	163,502	-	-	-
-	-	-	-	-	177
-	-	-	130,362	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,715</u>	<u>38</u>	<u>-</u>	<u>19,720</u>	<u>-</u>	<u>-</u>
<u>10,715</u>	<u>38</u>	<u>163,502</u>	<u>150,082</u>	<u>-</u>	<u>105,716</u>
-	-	-	-	-	-
-	38	-	117,656	32,788	110,436
<u>15,356</u>	<u>-</u>	<u>147,918</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>15,356</u>	<u>38</u>	<u>147,918</u>	<u>117,656</u>	<u>32,788</u>	<u>110,436</u>
<u>\$ 14,964</u>	<u>\$ 689</u>	<u>\$ 112,459</u>	<u>\$ 94,867</u>	<u>\$ -</u>	<u>\$ 102,184</u>

CLAY COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 Continued
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2013

	<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Lost Island Sanitary Sewer District</u>
BALANCE - BEGINNING OF YEAR	<u>\$ 195,150</u>	<u>\$ 5,955,095</u>	<u>\$ 13,003,980</u>	<u>\$ 709,486</u>	<u>\$ 31</u>
ADDITIONS:					
Property and other County tax	294,774	5,954,691	12,887,267	966,711	5,590
911 surcharge	-	-	-	-	-
State tax credits	11,877	204,234	553,765	30,265	51
Office fees and collections	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	-	-	-
TOTAL ADDITIONS	<u>306,651</u>	<u>6,158,925</u>	<u>13,441,032</u>	<u>996,976</u>	<u>5,641</u>
DEDUCTIONS:					
Agency remittances:					
To other funds	-	-	-	-	-
To other governments	241,449	5,967,347	13,128,511	716,736	5,669
Trusts paid out	-	-	-	-	-
TOTAL DEDUCTIONS	<u>241,449</u>	<u>5,967,347</u>	<u>13,128,511</u>	<u>716,736</u>	<u>5,669</u>
BALANCE - END OF YEAR	<u><u>\$ 260,352</u></u>	<u><u>\$ 6,146,673</u></u>	<u><u>\$ 13,316,501</u></u>	<u><u>\$ 989,726</u></u>	<u><u>\$ 3</u></u>

<u>County Assessor</u>	<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Tax Sale Redemption</u>	<u>Total</u>
<u>\$ 368,493</u>	<u>\$ 209,094</u>	<u>\$ 404,262</u>	<u>\$ 19,187</u>	<u>\$ -</u>	<u>\$ 21,252,475</u>
303,136	205,227	-	-	-	20,722,935
-	-	-	-	-	163,502
13,184	8,899	-	-	-	822,452
989	-	-	-	-	812,459
-	-	5,292,652	-	-	5,292,652
-	-	-	190,196	-	190,196
32,788	-	-	-	322,876	542,163
3,000	-	-	-	-	115,148
<u>353,097</u>	<u>214,126</u>	<u>5,292,652</u>	<u>190,196</u>	<u>322,876</u>	<u>28,661,507</u>
-	-	-	-	-	220,979
277,413	210,728	5,271,503	200,427	-	26,438,935
-	-	-	-	322,876	987,273
<u>277,413</u>	<u>210,728</u>	<u>5,271,503</u>	<u>200,427</u>	<u>322,876</u>	<u>27,647,187</u>
<u>\$ 444,177</u>	<u>\$ 212,492</u>	<u>\$ 425,411</u>	<u>\$ 8,956</u>	<u>\$ -</u>	<u>\$ 22,266,795</u>

CLAY COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS
YEAR ENDED JUNE 30, 2013

	Modified Accrual Basis				
	2013	2012	2011	2010	2009
REVENUES:					
Property and other County tax	\$ 6,884,520	\$ 6,660,884	\$ 6,373,835	\$ 6,042,792	\$ 5,668,597
Local option sales tax	887,597	841,802	857,945	675,442	765,114
Interest and penalty on property tax	38,270	43,876	37,238	37,021	37,362
Intergovernmental	4,164,364	5,174,204	5,048,931	5,063,230	4,959,606
Licenses and permits	23,117	28,088	25,404	34,107	23,061
Charges for service	582,132	556,546	545,594	476,463	475,048
Use of money and property	316,903	278,977	285,788	266,939	393,957
Fines, forfeitures and defaults	99,863	73,249	46,268	29,483	28,124
Miscellaneous	705,623	752,156	574,453	638,676	620,503
TOTAL REVENUES	\$13,702,389	\$ 14,409,782	\$13,795,456	\$13,264,153	\$12,971,372
EXPENDITURES:					
Operating:					
Public safety and legal services	\$ 2,655,145	\$ 2,202,745	\$ 2,365,668	\$ 2,051,702	\$ 2,142,067
Physical health and social services	590,637	502,403	562,897	435,109	462,235
Mental health	847,405	2,088,406	1,648,865	1,463,204	1,617,586
County environment and education	1,391,912	1,295,286	1,490,692	1,240,370	1,297,745
Roads and transportation	4,418,874	4,400,579	4,008,338	4,311,846	4,007,797
Governmental services to residents	520,099	385,111	411,892	404,603	405,603
Administration	1,692,042	1,665,165	1,572,885	1,436,285	1,383,677
Non-program	685,663	-	-	-	-
Debt service	768,983	365,422	853,286	347,599	401,174
Capital projects	5,450,488	2,833,806	607,939	1,751,650	1,143,530
TOTAL EXPENDITURES	\$ 19,021,248	\$ 15,738,923	\$13,522,462	\$13,442,368	\$12,861,414

Schedule 5

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 5,405,607	\$ 5,470,168	\$ 5,080,510	\$ 4,614,093	\$ 4,673,753
856,468	823,558	676,906	673,887	617,508
31,812	24,806	30,478	27,013	28,494
4,015,496	4,075,174	5,298,196	4,587,863	4,741,475
30,657	14,679	10,360	6,543	5,388
487,961	442,998	463,996	396,778	378,746
412,077	541,725	409,420	205,847	127,596
32,173	22,644	23,763	21,174	15,505
587,030	543,863	727,680	670,983	151,817
<u>\$11,859,281</u>	<u>\$ 11,959,615</u>	<u>\$12,721,309</u>	<u>\$11,204,181</u>	<u>\$10,740,282</u>
\$ 1,945,200	\$ 2,038,863	\$ 2,063,894	\$ 1,811,888	\$ 1,706,287
393,998	384,688	324,657	382,948	344,561
1,595,028	1,423,246	1,319,489	1,400,963	1,421,131
1,205,794	1,013,236	815,711	798,693	781,853
3,526,115	3,304,187	3,571,958	2,754,290	2,685,991
392,904	348,120	370,662	352,133	336,247
1,331,612	1,212,763	1,206,203	1,122,851	1,162,373
-	-	473,808	448,366	33,113
444,241	498,050	372,624	260,543	600,663
288,824	1,228,957	3,331,553	1,668,546	723,718
<u>\$11,123,716</u>	<u>\$ 11,452,110</u>	<u>\$13,850,559</u>	<u>\$11,001,221</u>	<u>\$ 9,795,937</u>

WINTHER, STAVE & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Clay County:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clay County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clay County's internal control. Accordingly, we do not express our opinions on the effectiveness of Clay County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as Item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clay County's Responses to Findings

The County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clay County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wenther, Starnes Co., LLP

January 17, 2014

CLAY COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements

Internal Control Deficiencies:

- I-A-13 Segregation of Duties - During our evaluation of the system of internal accounting control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted instances where one employee is capable of performing incompatible duties.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the County Auditor and County Treasurer should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances.

Response - While the size of our staff has a limiting effect on our ability to have complete segregation of duties, we will strive to segregate where possible and insure review of those areas where complete segregation is impossible.

Conclusion - Response accepted.

- I-B-13 Capital Assets - During our audit, we identified several significant capital asset acquisitions which were not included in the County's listing of capital asset additions for the year. As a result, adjustments were subsequently required to properly include these amounts in the government-wide financial statements.

Recommendation - The County should enhance procedures to ensure capital asset additions from all departments are identified and included in the County's financial statements.

Response - We will work to develop procedures to ensure all capital assets additions are included in the financial statements.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were reported.

CLAY COUNTY
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting

II-A-13 Certified Budget - Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.

II-B-13 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-13 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Del's Garden Center, owned by Delmar Brockshus, County Supervisor	Services and products	\$ 140
Coffman's Locksmith, owned by spouse of employee Audrey Coffman	Services and products	\$ 342
Krukow Construction, owned by son of Sheriff Randy Krukow	Services and products	\$ 664

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since total transactions with the businesses were less than \$1,500 during the fiscal year.

II-E-13 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-13 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy.

CLAY COUNTY
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting - Continued

II-H-13 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-I-13 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in the government-wide financial statements.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

II-J-13 Tax Increment Financing (TIF) - For the year ended June 30, 2013, the County Auditor prepared a reconciliation of TIF receipts with total outstanding TIF debt for each City.